

**CENTRAL LYON COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2011**

**CENTRAL LYON COMMUNITY SCHOOL DISTRICT**  
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CENTRAL LYON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<b>Board of Education</b>		
Steve Sieperda	President	2011
Chet DeJong	Vice President	2013
Patrick McCarty	Board Member	2011
Gail VanBerkum	Board Member	2013
Judy Gacke	Board Member	2011
<b>School Officials</b>		
Dave Ackerman	Superintendent	Indefinite
Jackie Wells	District Secretary/Treasurer and Business Manager	Indefinite
Randy Waagmeester	Attorney	Indefinite

# EAST, VANDER WOUDE, GRANT & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

To the Board of Education of the  
Central Lyon Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Lyon Community School District, Rock Rapids, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Lyon Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2012 on our consideration of District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and the Schedule Summary of Projected Cash Flows for Postemployment Benefit Plan on pages 6 through 14 and 38 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2010, (which is not presented herein) and expressed unqualified opinions on that financial statements. The previous audits for June 30, 2006, 2005, and 2004 were done by another firm, but were in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2006, 2005, and 2004 (none of which are presented herein) expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*East, Vander Woude, Grant & Co., P.C.*

East, Vander Woude, Grant & Co., P.C.  
Certified Public Accountants  
Sioux Falls, South Dakota  
January 5, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Central Lyon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **Financial Highlights**

- General Fund revenues increased from \$6,006,526 in fiscal year 2010 to \$6,551,943 in fiscal year 2011, while General Fund expenditures increased from \$6,334,195 in fiscal year 2010 to \$6,929,547 in fiscal 2011. The District's General Fund balance decreased from \$1,132,168 in fiscal 2010 to \$754,564 in fiscal 2011, a 33.35% decrease. Spending authority has been carefully monitored and must be continued for the future financial health of the district.
- The fiscal year 2011 General Fund revenues increase was attributable to increases in property tax and in state foundation aid. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salaries, benefits and services were greater than the district's increase in General Fund revenue for fiscal year 2011. As a result, the District funded a portion of the current year General Fund expenditures from the carryover fund balance.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in lower interest earnings in the General Fund alone decreasing from \$7,977 in fiscal year 2010 to \$7,509 in fiscal year 2011.
- Enrollment declines and increased numbers of open enrolled out pupils continue to plague the District and create financial burdens.

### **Overview of the Financial Statements**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Central Lyon Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Central Lyon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basis financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison to the District's budget for the year, as well as presenting the Schedule of Summary of Projected Cash Flows for Postemployment Benefit Plan.

- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

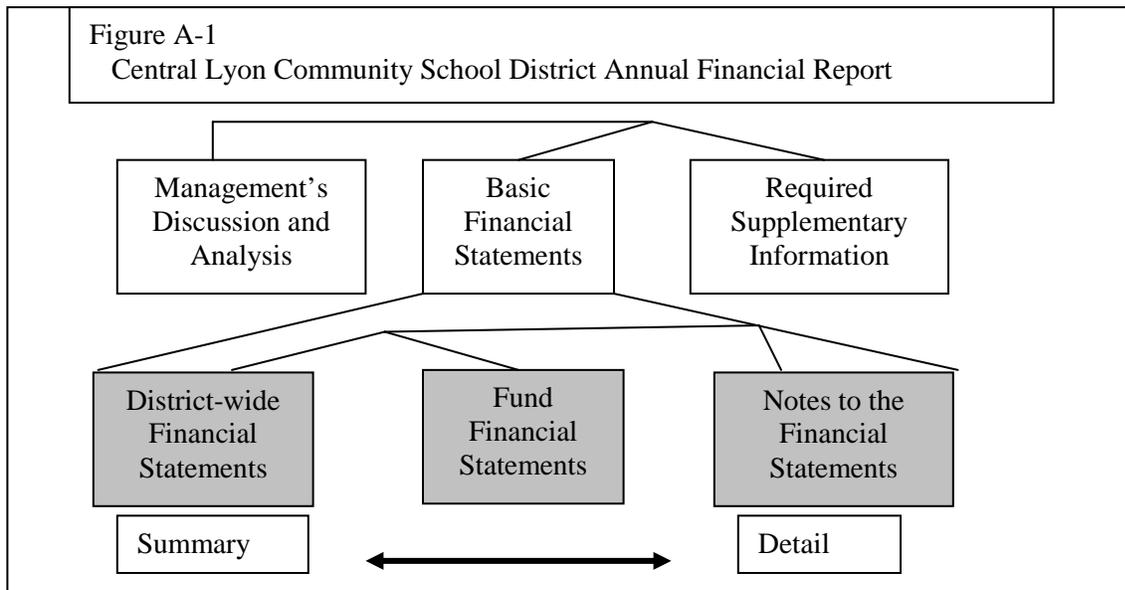


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2: Major Features of the District Wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Activities the district operates similar to private businesses: food services and FFA Property are included here
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset /liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of inflow /outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's school nutrition program and FFA property are included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to repay its long-term debts, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balance.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information,

such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and FFA Property Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

	Governmental Activities		Business type Activities		Total Activities		Total Change	
	June 30,		June 30,		June 30,		\$	%
	2011	2010	2011	2010	2011	2010	2010-2011	
Current and other assets	\$ 5,717	\$ 5,984	\$ 109	\$ 139	\$ 5,826	\$ 6,123	(297)	(4.85%)
Capital assets	9,843	9,483	97	99	9,940	9,582	358	3.74%
Total assets	15,560	15,467	206	238	15,766	15,705	61	0.39%
Long-term Liabilities	1,586	2,037	-	-	1,586	2,037	(451)	(22.14%)
Other Liabilities	3,902	3,785	10	8	3,912	3,793	119	3.14%
Total Liabilities	5,488	5,822	10	8	5,498	5,830	(332)	(5.69%)
Net Assets								
Invested in capital assets, net of related debt	8,298	7,483	96	99	8,394	7,582	812	10.71%
Restricted	1,121	1,082	-	-	1,121	1,082	39	3.60%
Unrestricted	653	1,080	100	131	753	1,211	(458)	(37.82%)
Total net assets	\$ 10,072	\$ 9,645	\$ 196	\$ 230	\$ 10,268	\$ 9,875	393	3.98%

The District's combined net assets increased 3.98%, or approximately \$393,000 over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, building and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$39,000 or 3.60% over the prior year. The increase was primarily a result of less expenditures for the restricted revenues which resulted in an increase in the net assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or the legal requirements – decreased approximately \$458,000 or 37.82%. This decrease in unrestricted net assets was a result of the District increases in instruction and support services costs.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
<b>Revenue</b>							
Program revenue:							
Charges for service	\$ 754	\$ 832	\$ 222	\$ 221	\$ 976	\$ 1,053	(7.312%)
Operating grants, contributions and restricted interest	1,223	1,357	133	133	1,356	1,490	(8.993%)
Capital grants, contributions and restricted interest	-	3	-	-	-	3	(100.000%)
General revenues:							
Property tax	3,023	2,642	-	-	3,023	2,642	14.421%
Statewide sales and service tax	486	403	-	-	486	403	20.596%
Unrestricted state grants	2,643	2,214	3	3	2,646	2,217	19.350%
Other	144	54	3	5	147	59	149.153%
Total revenues	<u>8,273</u>	<u>7,505</u>	<u>361</u>	<u>362</u>	<u>8,634</u>	<u>7,867</u>	9.750%
<b>Program expenses:</b>							
Governmental activities:							
Instruction	5,652	5,345	-	-	5,652	5,345	5.744%
Support service	1,825	1,798	-	-	1,825	1,798	1.502%
Non-instructional programs	-	-	394	335	394	335	17.612%
Other expenses	369	450	-	-	369	450	(18.000%)
Total expenses	<u>7,846</u>	<u>7,593</u>	<u>394</u>	<u>335</u>	<u>8,240</u>	<u>7,928</u>	3.935%
Change in net assets	<u>\$ 427</u>	<u>\$ (88)</u>	<u>\$ (33)</u>	<u>\$ 27</u>	<u>\$ 394</u>	<u>\$ (61)</u>	(745.902%)

In fiscal 2011, property tax, statewide sales and service tax, and unrestricted state grants account for 74.36% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.21% of the revenue from business type activities.

The District's total revenues were approximately \$8.634 million of which \$8.273 million was for governmental activities and .361 million was for business type activities.

As shown in Figure A-4, the District's as a whole experienced a 9.75% increase in revenues and a 3.935% increase in expenses. Unrestricted state grants increased approximately \$429,000 but the operating and capital grants, contributions and restricted interest decreased approximately \$134,000. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses for capital improvements by the District.

## Governmental Activities

Revenues for governmental activities were \$8,273,487 and expenses were \$7,846,718. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 5,652	\$ 5,345	5.74%	\$ 4,056	\$ 3,519	15.26%
Support services	1,826	1,798	1.56%	1,745	1,720	1.45%
Non-instructional programs	-	-	0.00%	-	-	0.00%
Other expenses	369	450	(18.00%)	69	162	(57.41%)
Totals	<u>\$ 7,847</u>	<u>\$ 7,593</u>	<u>3.35%</u>	<u>\$ 5,870</u>	<u>\$ 5,401</u>	<u>8.68%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$753,987.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,222,928.
- The net cost of governmental activities was financed with \$3,509,119 in property and other taxes and \$2,643,368 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$360,851 representing a 0.4 % decrease over the prior year while expenses totaled \$394,206, a 17.49% decrease over the prior year. The District's business type activities include the School Nutrition Fund and FFA Property. Revenue of these activities was comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Central Lyon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,797,477, below last year's ending fund balances of \$2,185,213. However, the primary reason for the decrease in combined fund balances in fiscal 2011 is due to the increases in instruction and support services costs.

## **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in taxes and state aid revenues resulted in an revenues. However, the increase in revenues was more than offset by the District's increases in General Fund expenditures, requiring the District to use carryover fund balance to meet its financial obligations during the year. The General Fund decreased from \$1,132,168 to \$754,564 due to the existing expenditure commitments of the District.
- The Debt Service Fund balance increased from \$10,365 in fiscal 2010 to \$11,442 in fiscal 2011. While property tax revenues increased from the prior year, the District decreased the transfers in from statewide sales and services taxes to pay the debt service payments due during the year.
- The Capital Projects Fund balance decreased from \$710,774 in 2010 to \$622,278 in 2011. This was mainly due to increase in capital projects for the year.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$175,312 at June 30, 2010 to \$147,180 at June 30, 2011, representing an decrease of approximately 16.05%. For fiscal 2011, the District's salaries, benefits, and supplies increase from the prior year resulting in the decrease in net assets.

## **BUDGETARY HIGHLIGHTS**

The District's receipts were \$472,671 less than budgeted receipts, with a variance of 5.19%. Even though local tax revenue increased in fiscal year 2011, a reduction in state resources caused the total amount received to be less than originally anticipated.

Total expenditures were \$2,794,854 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should exceed actual expenditures for the year. The certified budget was not exceeded in the current year.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, the District had invested \$9.940 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.74% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$443,832.

The original cost of the District's capital assets was \$16.125 million. Governmental funds account for \$15.95 million, with the remainder of \$0.175 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the Buildings and Furniture and Equipment categories. The District replaced the HVCA rooftop units, purchased laptops computers, smartboards, Thomas Mini-Bus, scissor lift, Kabota tractor, Daktronics two-sided LED sign for the High School and cafeteria tables.

Figure A-6  
Capital Assets, net of Depreciation  
(expressed in thousands)

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 51	\$ 51	\$ -	\$ -	\$ 51	\$ 51	0.00%
Buildings	8,011	7,720	-	-	8,011	7,720	3.77%
Improvements other than buildings	499	508	-	-	499	508	(1.77%)
Furniture and Equipment	1,282	1,204	97	99	1,379	1,303	5.83%
Totals	<u>\$ 9,843</u>	<u>\$ 9,483</u>	<u>\$ 97</u>	<u>\$ 99</u>	<u>\$ 9,940</u>	<u>\$ 9,582</u>	3.74%

### Long-Term Debt

At June 30, 2011, the District had \$1,617,817 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 21.57% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$16.5 million.

The district had total outstanding bonded indebtedness of \$1,545,000; early retirement of \$41,467; and compensated absences of \$31,350 at June 30, 2011.

Figure A-7  
Outstanding Long-Term Obligations  
(Expressed in Thousands)

	Total School District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General Obligation Bonds	\$ 1,340	\$ 1,700	(21.18%)
Capital Notes	205	300	(31.67%)
Early Retirement	42	37	13.51%
Compensated Absences	31	26	19.23%
	<u>\$ 1,618</u>	<u>\$ 2,063</u>	(21.57%)

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of two existing circumstances that could significantly affect its financial health in the future:

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of the district will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.

- District budgeted enrollment for fiscal year 2011-2012 was 719 students. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2010-2011 school-year, Central Lyon students who open enroll out to other districts increased from 84 to 86 students. Because Central Lyon is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Fiscal 2010 the District entered into a new three-year contract with the Central Lyon Education Teacher Association (CLTA). Settlements in excess of "new money" or allowable growth in state funding will have a continuing adverse effect of the District's General Fund budget and related fund balance.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jackie Wells, Board Secretary/Business Manager at the Central Lyon Community School District, 1105 S. Story St., Rock Rapids, IA 51246 or 712-472-2664.

## **BASIC FINANCIAL STATEMENTS**

**Central Lyon Community School District**

Central Lyon Community School District  
Statement of Net Assets  
June 30, 2011

Exhibit A

	Governmental Activities	Business Type Activities	Totals
<b>Assets</b>			
Cash and cash equivalents:			
Other	\$ 2,316,882	\$ 57,370	\$ 2,374,252
Receivables:			
Property tax:			
Delinquent	29,931	-	29,931
Succeeding year	2,789,816	-	2,789,816
Local option sales taxes	214,608	-	214,608
Accounts	74,597	-	74,597
Accrued interest:			
Other	704	218	922
Due from other governments	290,781	-	290,781
Inventories	-	51,811	51,811
Capital assets, net of accumulated depreciation	9,842,779	96,584	9,939,363
<b>Total assets</b>	15,560,098	205,983	15,766,081
<b>Liabilities</b>			
Accounts payable	102,177	918	103,095
Salaries and benefits payable	572,888	3,318	576,206
Accrued interest payable	3,886	-	3,886
Deferred revenue - succeeding year			
Property tax	2,789,816	-	2,789,816
Other	401,694	5,499	407,193
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	475,000	-	475,000
Early retirement	21,917	-	21,917
Compensated absences	31,350	-	31,350
Portion due after one year:			
General obligation bonds payable	1,070,000	-	1,070,000
Early retirement	19,550	-	19,550
<b>Total liabilities</b>	5,488,278	9,735	5,498,013
<b>Net assets</b>			
Invested in capital assets, net of related debt	8,297,779	96,584	8,394,363
Restricted for:			
Categorical funding	106,500		106,500
Management levy	115,289	-	115,289
Public education & recreation levy	93,621	-	93,621
Physical plant and equipment levy	78,178	-	78,178
Other special revenue purposes	180,733	-	180,733
Capital projects	259,100	-	259,100
Debt service	287,410	-	287,410
Unrestricted	653,210	99,664	752,874
<b>Total net assets</b>	\$ 10,071,820	\$ 196,248	\$ 10,268,068

See notes to financial statements.

Central Lyon Community School District  
Statement of Activities  
June 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 3,687,112	\$ 316,303	\$ 565,888	\$ -
Special instruction	1,091,919	8,301	271,264	-
Other instruction	872,839	418,057	16,107	-
	<u>5,651,870</u>	<u>742,661</u>	<u>853,259</u>	<u>-</u>
Support services:				
Student services	46,995	-	41,229	-
Instructional staff services	302,261	-	-	-
Administration services	601,139	-	6,163	-
Operation and maintenance of plant services	631,816	11,326	-	-
Transportation services	244,223	-	23,193	-
	<u>1,826,434</u>	<u>11,326</u>	<u>70,585</u>	<u>-</u>
Non-instructional programs				
Other expenses:				
Facilities acquisition	10,105	-	-	-
Long-term debt interest	60,114	-	889	-
AEA flow through	298,195	-	298,195	-
	<u>368,414</u>	<u>-</u>	<u>299,084</u>	<u>-</u>
Total governmental activities	7,846,718	753,987	1,222,928	-
<b>Business type activities:</b>				
Non-instructional programs:				
Food service and FFA operations	394,206	222,460	135,548	-
Total	<u>\$ 8,240,924</u>	<u>\$ 976,447</u>	<u>\$ 1,358,476</u>	<u>\$ -</u>
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (2,804,921)	\$ -	\$ (2,804,921)
(812,354)	-	(812,354)
(438,675)	-	(438,675)
<u>(4,055,950)</u>	<u>-</u>	<u>(4,055,950)</u>
(5,766)	-	(5,766)
(302,261)	-	(302,261)
(594,976)	-	(594,976)
(620,490)	-	(620,490)
(221,030)	-	(221,030)
<u>(1,744,523)</u>	<u>-</u>	<u>(1,744,523)</u>
-	-	-
(10,105)	-	(10,105)
(59,225)	-	(59,225)
-	-	-
<u>(69,330)</u>	<u>-</u>	<u>(69,330)</u>
(5,869,803)	-	(5,869,803)
-	(36,198)	(36,198)
<u>(5,869,803)</u>	<u>(36,198)</u>	<u>(5,906,001)</u>
2,383,727	-	2,383,727
409,994	-	409,994
229,611	-	229,611
485,787	-	485,787
2,643,368	-	2,643,368
12,909	746	13,655
131,176	2,097	133,273
<u>6,296,572</u>	<u>2,843</u>	<u>6,299,415</u>
426,769	(33,355)	393,414
9,645,051	229,603	9,874,654
<u>\$ 10,071,820</u>	<u>\$ 196,248</u>	<u>\$ 10,268,068</u>

Central Lyon Community School District  
Balance Sheet – Governmental Funds  
June 30, 2011

Exhibit C

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
<b>Assets</b>					
Cash and pooled investments:					
Other	\$ 1,475,806	\$ 6,902	\$ 405,422	\$ 428,752	\$ 2,316,882
Receivables:					
Property tax:					
Delinquent	21,489	4,540	2,248	1,654	29,931
Succeeding year	2,335,398	129,294	208,243	116,881	2,789,816
Local option sales taxes	-	-	214,608	-	214,608
Accounts	74,597	-	-	-	74,597
Accrued interest:					
Other	-	-	-	704	704
Due from other governments	290,781	-	-	-	290,781
Total assets	<u>4,198,071</u>	<u>140,736</u>	<u>830,521</u>	<u>547,991</u>	<u>5,717,319</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	133,527	-	-	-	133,527
Salaries and benefits payable	572,888	-	-	21,917	594,805
Deferred revenue:					
Succeeding year property tax	2,335,398	129,294	208,243	116,881	2,789,816
Other	401,694	-	-	-	401,694
Total liabilities	<u>3,443,507</u>	<u>129,294</u>	<u>208,243</u>	<u>138,798</u>	<u>3,919,842</u>
Fund balances:					
Restricted for:					
Categorical funding	106,500	-	-	-	106,500
Debt service	-	11,442	-	-	11,442
Management levy	-	-	-	134,839	134,839
Student activities	-	-	-	180,733	180,733
Public education and recreation le	-	-	-	93,621	93,621
Physical plant and equipment	-	-	78,178	-	78,178
School infrastructure	-	-	544,100	-	544,100
Unassigned	648,064	-	-	-	648,064
Total fund balances	<u>754,564</u>	<u>11,442</u>	<u>622,278</u>	<u>409,193</u>	<u>1,797,477</u>
Total liabilities and fund balances	<u>\$ 4,198,071</u>	<u>\$ 140,736</u>	<u>\$ 830,521</u>	<u>\$ 547,991</u>	<u>\$ 5,717,319</u>

See notes to financial statements.

Central Lyon Community School District  
Reconciliation of the Balance Sheet – Governmental  
Funds to the Statement of Net Assets  
June 30, 2011

Exhibit D

<b>Total fund balances of governmental funds (page 20)</b>	\$ 1,797,477
Amounts reported for governmental activities in the Statements of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental	9,842,779
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,886)
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,564,550)</u>
<b>Net assets of governmental activities (page 17)</b>	<u><u>\$ 10,071,820</u></u>

See notes to financial statements.

Central Lyon Community School District  
Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
June 30, 2011

Exhibit E

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 2,258,618	\$ 409,994	\$ 688,802	\$ 151,705	\$ 3,509,119
Tuition	63,638	-	-	-	63,638
Other	364,280	776	40,015	430,252	835,323
Intermediate sources	298,195	-	-	-	298,195
State sources	3,215,266	-	-	-	3,215,266
Federal sources	351,946	-	-	-	351,946
<b>Total Revenues</b>	<b>6,551,943</b>	<b>410,770</b>	<b>728,817</b>	<b>581,957</b>	<b>8,273,487</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	3,394,996	-	14,924	16,176	3,426,096
Special instruction	1,091,919	-	-	-	1,091,919
Other instruction	465,644	-	-	407,195	872,839
	<b>4,952,559</b>	<b>-</b>	<b>14,924</b>	<b>423,371</b>	<b>5,390,854</b>
Support services:					
Student services	46,995	-	-	-	46,995
Instructional staff services	245,900	-	-	-	245,900
Administration services	601,139	-	-	-	601,139
Operation and maintenance of plant services	530,805	-	55,494	81,299	667,598
Transportation services	253,954	-	6,535	-	260,489
	<b>1,678,793</b>	<b>-</b>	<b>62,029</b>	<b>81,299</b>	<b>1,822,121</b>
Non-instructional programs	-	-	-	-	-
Other expenditures:					
Facilities acquisition	-	-	633,795	-	633,795
Long-term debt interest	-	61,258	-	-	61,258
AEA flow through	298,195	-	-	-	298,195
	<b>298,195</b>	<b>61,258</b>	<b>633,795</b>	<b>-</b>	<b>993,248</b>
<b>Total expenditures</b>	<b>6,929,547</b>	<b>61,258</b>	<b>710,748</b>	<b>504,670</b>	<b>8,206,223</b>
Excess (deficiency) of revenues over (under) expenditures	<b>(377,604)</b>	<b>349,512</b>	<b>18,069</b>	<b>77,287</b>	<b>67,264</b>
Other financing sources (uses):					
Operating transfers in (out)	-	106,565	(106,565)	-	-
General obligation bonds	-	(455,000)	-	-	(455,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(348,435)</b>	<b>(106,565)</b>	<b>-</b>	<b>(455,000)</b>
Net change in fund balances	<b>(377,604)</b>	<b>1,077</b>	<b>(88,496)</b>	<b>77,287</b>	<b>(387,736)</b>
Fund balances beginning of year	1,132,168	10,365	710,774	331,906	2,185,213
<b>Fund balances end of year</b>	<b>\$ 754,564</b>	<b>\$ 11,442</b>	<b>\$ 622,278</b>	<b>\$ 409,193</b>	<b>\$ 1,797,477</b>

See notes to financial statements.

Central Lyon Community School District  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in  
 Fund Balances – Governmental Funds to the Statement of Activities  
 June 30, 2011

Exhibit F

**Net change in fund balance - total governmental funds (page 22)** \$ (387,736)

**Amounts reported for governmental activities in the  
 Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	801,443	
Depreciation expense	<u>(441,251)</u>	360,192

Proceeds from issuing long-term liabilities provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid	<u>455,000</u>	455,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,144

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>(1,831)</u>	<u>(1,831)</u>
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**Change in net assets of governmental activities (page 19)** \$ 426,769

See notes to financial statements.

Central Lyon Community School District  
Statement of Net Assets - Proprietary Funds  
June 30, 2011

Exhibit G

	School Nutrition	FFA Property	Proprietary Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 53,624	\$ 3,746	\$ 57,370
Accrued interest	218		218
Inventories	6,211	45,600	51,811
Capital assets, net of accumulated depreciation	96,584	-	96,584
<b>Total assets</b>	156,637	49,346	205,983
<b>Liabilities</b>			
Accounts payable	640	278	918
Deferred revenues	5,499	-	5,499
Salaries and benefits payable	3,318	-	3,318
<b>Total Liabilities</b>	9,457	278	9,735
<b>Net Assets</b>			
Invested in capital assets, net of related debt	96,584	-	96,584
Unrestricted	50,596	49,068	99,664
<b>Total net assets</b>	\$ 147,180	\$ 49,068	\$ 196,248

See notes to financial statements.

Central Lyon Community School District  
Statement of Revenues, Expenditures and Changes in Fund Net Assets -Proprietary Funds  
June 30, 2011

Exhibit H

	School Nutrition	FFA Property	Proprietary Totals
Operating revenues:			
Local sources:			
Charges for service	\$ 189,259	\$ 33,201	\$ 222,460
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	118,182	-	118,182
Benefits	17,202	-	17,202
Purchased services	7,576	-	7,576
Supplies	210,241	38,424	248,665
Depreciation	2,581	-	2,581
Total operating expenses	355,782	38,424	394,206
Operating (loss) Income	(166,523)	(5,223)	(171,746)
Non-operating revenues:			
State sources	2,997	-	2,997
Federal sources	132,551	-	132,551
Miscellaneous	2,097	-	2,097
Interest income	746	-	746
Total non-operating revenues	138,391	-	138,391
Change in net assets	(28,132)	(5,223)	(33,355)
Net assets beginning of year	175,312	54,291	229,603
Net assets end of year	\$ 147,180	\$ 49,068	\$ 196,248

See notes to financial statements.

Central Lyon Community School District  
Statement of Cash Flows - Proprietary Funds  
June 30, 2011

Exhibit I

	School Nutrition	FFA Property	Enterprise Totals
<b>Cash flows from operating activities:</b>			
Cash received from sale of lunches and breakfasts	\$ 190,529	\$ -	\$ 190,529
Cash received from miscellaneous services	-	33,201	33,201
Cash paid to employees for services	(135,430)	-	(135,430)
Cash paid to suppliers for goods or services	(193,330)	(40,027)	(233,357)
Net cash used by operating activities	(138,231)	(6,826)	(145,057)
<b>Cash flows from non-capital financing activities:</b>			
State grants received	2,997	-	2,997
Federal grants received	110,546	-	110,546
Miscellaneous revenue	2,097	-	2,097
Net cash provided by non-capital financing activities	115,640	-	115,640
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	-	-	-
Net cash used by capital and related financing activities	-	-	-
<b>Cash flows from investing activities:</b>			
Interest on investments	923	-	923
Net increase (decrease) in cash and cash equivalents	(21,668)	(6,826)	(28,494)
Cash and cash equivalents beginning of year	75,292	10,572	85,864
Cash and cash equivalents end of year	\$ 53,624	\$ 3,746	\$ 57,370
<b>Reconciliation of operating loss to net cash used by operating activities</b>			
Operating (loss) income	\$ (166,523)	\$ (5,223)	\$ (171,746)
Adjustments to reconcile operating (loss) income to net cash used by operating activities			
Commodities used	22,005	-	22,005
Depreciation	2,581	-	2,581
(Increase) decrease in inventories	1,843	(1,600)	243
Increase (decrease) in accounts payable	640	(3)	637
Increase (decrease) in deferred revenue	1,270	-	1,270
Increase (decrease) in salaries and benefits payable	(47)	-	(47)
Net cash used in operating activities	\$ (138,231)	\$ (6,826)	\$ (145,057)

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received \$22,005 of federal commodities.

See notes to financial statements.

Central Lyon Community School District  
Notes to Financial Statements  
June 30, 2011

(1) **Summary of Significant Accounting Policies**

The Central Lyon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Rock Rapids and Doon, Iowa, and the predominant agricultural territory in central Lyon County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Central Lyon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely, to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Central Lyon Community School District  
Notes to Financial Statements  
June 30, 2011

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The District's major proprietary fund is the School Nutrition Fund. This fund is used to account for the food service operations of the District. The other proprietary fund is the FFA Property Fund which is used to account for the FFA cattle raising operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It

Central Lyon Community School District  
Notes to Financial Statements  
June 30, 2011

is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum-adjusting entries to the cash basis financial records.

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking, is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Central Lyon Community School District  
Notes to Financial Statements  
June 30, 2011

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2009 assessed property valuations, is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of one year.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital Assets are depreciated using the straight-line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (in Years)
Buildings	50 years
Improvements other than buildings	20 - 50 years
Furniture and equipment:	5 - 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant

Central Lyon Community School District  
Notes to Financial Statements  
June 30, 2011

proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Central Lyon Community School District  
Notes to Financial Statements  
June 30, 2011

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$ 135,297 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk – the investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody’s Investors Service.

**(3) Termination Benefits**

The District has offered a voluntary early retirement plans to its employees. The first plan expired at the end of the 2007-2008 school which offered eligible employees that have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five. The application for early retirement is subject to approval by the Board of Education by February 1 of the applicable year. Early retirement benefits are equal to the difference between the base salary and the total individual regular contract salary for the year the application is submitted. Early retirement benefits may be paid in one lump sum on July 20 or may be used by the district to pay the retiring employee’s cost of medical and/or dental insurance until the benefit is exhausted. At the time of application for early retirement benefits, the retiring employee must choose which method of payment is to be used. At June 30, 2011, the District has obligations to three remaining participants with a total liability of \$19,471. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$19,471. The maturities of the liability include \$13,917 for 2012 and \$3,550 for 2013.

The second voluntary early retirement plan was offered for the 2010-2011 year only. The eligible employees that have completed at least ten years of full-time service to the District and must have reached the age of fifty-five and must apply by January 5, 2011. The benefit shall be \$24,000 paid as a Health Reimbursement Arrangement (HRA) account in \$8,000 increments paid by June 30 for three consecutive years. There was one participant who retired early. Actual early retirement expenditures for this plan for the year ended June 30, 2011 totaled \$0. There are no additional costs in the future for these three participants. The maturities of the liability include \$8,000 for 2012, \$8,000 for 2013, and \$8,000 for 2014.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to:	Transfer from:	Amount
Debt Service	Local Option Sales	\$ 106,565
		<u>\$ 106,565</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Categorical Funding**

The District’s reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Statewide Voluntary Four-Year-Old Preschool Program	\$ 42,267
Professional Development for ICC	31,500
Market Factor	2,121
Educator Quality, Professional Development	<u>30,612</u>
	<u>\$ 106,500</u>

Central Lyon Community School District  
Notes to Financial Statements  
June 30, 2011

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 51,000	\$ -	\$ -	\$ 51,000
Total capital assets not being depreciated	<u>51,000</u>	<u>-</u>	<u>-</u>	<u>51,000</u>
Capital assets being depreciated:				
Buildings	12,106,053	596,265		12,702,318
Improvements other than buildings	833,269	27,425		860,694
Furniture and equipment	2,175,819	177,753	17,890	2,335,682
Total capital assets being depreciated	<u>15,115,141</u>	<u>801,443</u>	<u>17,890</u>	<u>15,898,694</u>
Less accumulated depreciation for:				
Buildings	4,385,701	305,654		4,691,355
Improvements other than buildings	325,808	36,522	-	362,330
Furniture and equipment	972,046	99,075	17,890	1,053,231
Total accumulated depreciation	<u>5,683,555</u>	<u>441,251</u>	<u>17,890</u>	<u>6,106,916</u>
Total capital assets being depreciated, net	<u>9,431,586</u>	<u>360,192</u>	<u>-</u>	<u>9,791,778</u>
Governmental activities capital assets, net	<u>\$ 9,482,586</u>	<u>\$ 360,192</u>	<u>\$ -</u>	<u>\$ 9,842,778</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 175,484		\$ -	\$ 175,484
less accumulated depreciation	76,319	2,581	-	78,900
Business type activities capital assets, net	<u>\$ 99,165</u>	<u>\$ (2,581)</u>	<u>\$ -</u>	<u>\$ 96,584</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 347,615

Support services:

Instructional staff 56,361

Operation and maintenance of plant 7,048

Transportation 30,227

Total depreciation expense - governmental activities \$ 441,251

Business type activities:

Food service operations \$ 2,581

Central Lyon Community School District  
Notes to Financial Statements  
June 30, 2011

**(7) Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2011, is as follows:

**LONG - TERMLIABILITIES**

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 1,700,000	\$ -	\$ 360,000	\$ 1,340,000	\$ 375,000
Capital Notes	300,000	-	95,000	205,000	100,000
Early Retirement	37,190	23,748	19,471	41,467	21,917
Compensated Absences	26,204	31,350	26,204	31,350	31,350
<b>Total</b>	<b>\$ 2,063,394</b>	<b>\$ 55,098</b>	<b>\$ 500,675</b>	<b>\$ 1,617,817</b>	<b>\$ 528,267</b>

Details of the District's June 30, 2011, general obligation bonded and capital lease indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2003			Capital Loan Notes Sept. 15, 2003			Bonds Totals		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2012	2.875%	\$ 375,000	\$ 38,893	3.600%	\$ 100,000	\$ 7,742	\$ 475,000	\$ 46,635	\$ 521,635
2013	2.875%	375,000	28,110	3.750%	105,000	4,043	480,000	32,153	512,153
2014	2.875%	370,000	17,330	3.900%	-	-	370,000	17,330	387,330
2015	2.900%	220,000	6,600	-	-	-	220,000	6,600	226,600
<b>Total</b>		<b>\$1,340,000</b>	<b>\$90,933</b>		<b>\$205,000</b>	<b>\$11,785</b>	<b>\$1,545,000</b>	<b>\$102,718</b>	<b>\$ 1,647,718</b>

During the year ended June 30, 2011, the District made principal and interest payments totaling \$534,828 under the agreements.

**(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute, to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$287,795, \$262,984 and \$241,666 respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description – The District offers a single-employer early retirement incentive plan which provides health insurance benefits to teachers, administrators, and business managers who are between the ages of 55 and 62 with 15 or more years of service at retirement.

The benefit is in the form of a cash payment, sick leave payout, and medical premium subsidy until the age of 65. The subsidy is in the amount of the single premium at the time of retirement, and retirees are responsible for any increase in the premium.

Funding Policy – The District currently finances the postretirement benefit plan on a pay-as-you-go basis.

Central Lyon Community School District  
Notes to Financial Statements  
June 30, 2011

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 49,000
Interest on Net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	49,000
Contributions made	(25,000)
Increase in Net OPEB Obligation	24,000
Net OPEB obligation-beginning of year	-
Net OPEB obligation-end of year	\$ 24,000

The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$19,471 to the medical plan. Plan members eligible for benefits contributed \$0 or 0.0% of the premium costs.

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 49,000	51%	\$ 24,000

Funding Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$470,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$470,000. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The 10-Year Summary of Projected Cash Flows, presented as Required Supplementary Information in the section following the Notes to Financial statements, presents the projected net benefits for the District's post retirement benefit plan based on the current population.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed

Central Lyon Community School District  
Notes to Financial Statements  
June 30, 2011

to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11.00%. The ultimate medical trend rate is 5.00%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Table, applied on a gender-specific basis. Average life expectancy for the Central Lyon Community School Distribution participants based on this table is 82 years of age. Employees are assumed to retire at the latest of age 59 or the eligibility age. Table 1 of GASB 45 paragraph 35(b) is used to assign the probability of remaining employed until assumed retirement age.

Projected annual premiums of the medical plan for participants are \$11,037 for retirees less than age 65 and not available for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized over the maximum allowable period of 30 years on an open basis.

**(10) Risk Management**

Central Lyon Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$298,195 for the year ended June 30, 2011, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(12) Operating Lease Agreement**

The District entered into a three-year operating lease agreement for three copiers on October 17, 2010. Payments are made monthly of \$436.07 and will end September 17, 2014 with total payments in the current year of \$3,925. The future minimum rental payments required under the above operating lease as of June 30, 2011 is \$11,773.89.

**(13) Accounting Change/Restatement**

Governmental Accounting Standards board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 636,567	\$ 74,207
Change in fund type classification per implementation of GASB Statement No. 54	74,207	(74,207)
Balances July 1, 2010, as restated	\$ 710,774	\$ -

**Central Lyon Community School District  
Required Supplementary Information**

Central Lyon Community School District  
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
 Budget and Actual - All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 4,408,080	\$ 225,303	\$ 4,633,383
Intermediate sources	-	-	-
State sources	3,513,461	2,997	3,516,458
Federal sources	351,946	132,551	484,497
Total revenues	<u>8,273,487</u>	<u>360,851</u>	<u>8,634,338</u>
Expenditures:			
Instruction	5,390,854	-	5,390,854
Support services	1,822,121	-	1,822,121
Non-instructional programs	-	394,206	394,206
Other expenditures	1,448,248	-	1,448,248
Total expenditures	<u>8,661,223</u>	<u>394,206</u>	<u>9,055,429</u>
Excess of revenues under expenditures	<u>(387,736)</u>	<u>(33,355)</u>	<u>(421,091)</u>
Other financing sources, net	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(387,736)	(33,355)	(421,091)
Balances beginning of year	<u>2,185,213</u>	<u>229,603</u>	<u>2,414,816</u>
Balances end of year	<u>\$ 1,797,477</u>	<u>\$ 196,248</u>	<u>\$ 1,993,725</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
\$ 4,539,313	\$ 4,539,313	\$ 94,070
-	-	-
4,187,696	4,187,696	(671,238)
380,000	380,000	104,497
<u>9,107,009</u>	<u>9,107,009</u>	<u>(472,671)</u>
6,400,007	6,400,007	(1,009,153)
2,876,105	2,876,105	(1,053,984)
604,100	604,100	(209,894)
<u>1,970,071</u>	<u>1,970,071</u>	<u>(521,823)</u>
<u>11,850,283</u>	<u>11,850,283</u>	<u>(2,794,854)</u>
<u>(2,743,274)</u>	<u>(2,743,274)</u>	<u>2,322,183</u>
-	-	-
(2,743,274)	(2,743,274)	2,322,183
<u>2,749,369</u>	<u>2,749,369</u>	<u>(334,553)</u>
<u>\$ 6,095</u>	<u>\$ 6,095</u>	<u>\$ 1,987,630</u>

Central Lyon Community School District  
Notes to Required Supplementary Information – Budgetary Reporting  
Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Central Lyon Community School District  
Schedule of Summary of Projected Cash Flows for Postemployment  
Benefit Plan  
Required Supplementary Information  
Year ended June 30, 2011

Year	Total Expenses	Total Contributions	Net Benefit Payments
2012	\$ 49,000	\$ (24,000)	\$ 25,000
2013	57,000	(28,000)	29,000
2014	40,000	(20,000)	20,000
2015	42,000	(21,000)	21,000
2016	51,000	(25,000)	26,000
2017	60,000	(30,000)	30,000
2018	54,000	(27,000)	27,000
2019	79,000	(39,000)	40,000

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Central Lyon Community School District**

## **Other Supplementary Information**

Central Lyon Community School District  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2011

Schedule 1

	Special Revenue Funds			
	Management Levy	Student Activity	Public Education & Recreation Levy	Total
<b>Assets</b>				
Cash and cash equivalents:				
Other	\$ 155,392	\$ 180,029	\$ 93,331	\$ 428,752
Receivables:				
Property tax:				
Delinquent	1,364	-	290	1,654
Succeeding year	89,500	-	27,381	116,881
Accrued interest	-	704	-	704
<b>Total assets</b>	246,256	180,733	121,002	547,991
 <b>Liabilities and Fund Balances</b>				
Liabilities:				
Salaries and benefits payable	21,917	-	-	21,917
Deferred revenue - succeeding year				
Property tax	89,500	-	27,381	116,881
Total liabilities	111,417	-	27,381	138,798
Fund equity:				
Restricted for:				
Management Levy	134,839	-	-	134,839
Student activities	-	180,733	-	180,733
Public education and recreation levy	-	-	93,621	93,621
Total fund balances	134,839	180,733	93,621	409,193
 <b>Total liabilities and fund balances</b>	<b>\$ 246,256</b>	<b>\$ 180,733</b>	<b>\$ 121,002</b>	<b>\$ 547,991</b>

See accompanying independent auditor's report.

Central Lyon Community School District  
Combining Schedule of Revenues, Expenditures and Changes in  
Fund Balances - Nonmajor governmental Funds  
June 30, 2011

Schedule 2

	Special Revenue Funds			Total
	Management Levy	Student Activity	Public Education & Recreation Levy	
Revenues:				
Local sources:				
Local tax	\$ 125,110	\$ -	\$ 26,595	\$ 151,705
Other	10,029	420,223	-	430,252
Total revenues	135,139	420,223	26,595	581,957
Expenditures:				
Current:				
Instruction:				
Regular instruction	16,176	-	-	16,176
Other instruction	-	407,195	-	407,195
Support services:				
Operation and maintenance of plant services	81,299	-	-	81,299
Total expenditures	97,475	407,195	-	504,670
Excess (deficiency) of revenues over (under) expenditures	37,664	13,028	26,595	77,287
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	37,664	13,028	26,595	77,287
Fund balances beginning of year	97,175	167,705	67,026	331,906
Fund balances end of year	\$ 134,839	\$ 180,733	\$ 93,621	\$ 409,193

See accompanying independent auditor's report.

Central Lyon Community School District  
 Combining Balance Sheet  
 Capital Project Accounts  
 June 30, 2011

Schedule 3

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and cash equivalents:			
Other	\$ 329,492	\$ 75,930	\$ 405,422
Receivables:			
Property tax:			
Delinquent	-	2,248	2,248
Succeeding year	-	208,243	208,243
Local option sales taxes	214,608	-	214,608
<b>Total assets</b>	544,100	286,421	830,521
 <b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred revenue - succeeding year			
Property tax	-	208,243	208,243
Total liabilities	-	208,243	208,243
Fund equity:			
Restricted for:			
School infrastructure	544,100		544,100
Physical plant and equipment	-	78,178	78,178
Total fund balances	544,100	78,178	622,278
<b>Total liabilities and fund balances</b>	\$ 544,100	\$ 286,421	\$ 830,521

See accompanying independent auditor's report.

Central Lyon Community School District  
Combining Schedule of Revenues, Expenditures and Changes in  
Fund Balances - Capital Project Accounts  
June 30, 2011

Schedule 4

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 485,787	\$ 203,015	\$ 688,802
Other	24,546	15,469	40,015
Total revenues	510,333	218,484	728,817
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	14,924	14,924
Support services:			
Operation and maintenance of plant services	-	55,494	55,494
Transportation services	6,535	-	6,535
Other expenditures:			
Facilities acquisition	596,265	37,530	633,795
Total expenditures	602,800	107,948	710,748
Excess (deficiency) of revenues over (under) expenditures	(92,467)	110,536	18,069
Other financing sources (uses):			
Operating transfers out	-	(106,565)	(106,565)
Total other financing sources (uses)	-	(106,565)	(106,565)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(92,467)	3,971	(88,496)
Fund balances beginning of year	636,567	74,207	710,774
Fund balances end of year	\$ 544,100	\$ 78,178	\$ 622,278

See accompanying independent auditor's report.

Central Lyon Community School District  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 June 30, 2011

Schedule 5

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Interest Income	\$ 8,620	\$ 3,191	\$ 2,594	\$ 9,217
All School Play	1,425	969	474	1,920
Speech	100	1,362	1,462	-
Vocal	661	635	1,296	-
Band	100	946	1,046	-
Historical Plaza	774	-	-	774
Spanish Mexico Trip	1,696	2,016	136	3,576
Co-Ed Track	2,005	6,136	7,891	250
Co-Ed Golf	1,802	1,241	1,441	1,602
Boys' Basketball - Summer	2,427	11,768	11,120	3,075
Football	7,567	15,285	16,344	6,508
Baseball	154	11,879	10,733	1,300
Baseball Trip	787	2,219	2,186	820
Wrestling	4,668	4,663	8,284	1,047
Wrestling Projects Camp	2,941	3,251	2,829	3,363
Girls' Basketball	6,765	17,730	19,815	4,680
Girls' Basketball - Summer	4,858	3,495	2,342	6,011
Volleyball	3,740	5,710	6,336	3,114
Softball	836	30	762	104
Field Trips	-	300	-	300
Pictures-Elementary & MS	674	1,345	1,622	397
Ticket/Cash Reserve	513	3,459	3,359	613
Book Orders	678	6,824	6,683	819
PCT Account	31	9,011	1,632	7,410
Middle School	36	-	36	-
Donations	4,173	3,027	2,445	4,755
Milk Machine HS	1,337	400	1,337	400
Activity Tickets	45	9,156	9,201	-
Adult Activity Tickets	-	4,085	4,085	-
Lion's Roar	18,001	5,078	11,726	11,353
Pictures-HS	227	556	484	299
National Honor Society	46	439	485	-
Middle School Cheerleaders	307	-	-	307
Student Council Scholarship	250	-	-	250
Breske Memorial	1,355	2,743	1,860	2,238
Pep Club	1,674	6,713	6,585	1,802
Activity Fund Reimbursement.	24	-	-	24
D.A.R.E. Program	100	1,910	360	1,650
Musical	257	2,748	2,285	720
Class of 2011	1,863	-	1,863	-
Class of 2012	2,826	3,220	3,717	2,329
Class of 2013	-	4,410	-	4,410
FFA	8,239	74,795	76,856	6,178
Student Council	1,035	17,988	7,845	11,178

Central Lyon Community School District  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 June 30, 2011

Schedule 5

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Middle School Student Council	3,333	4,888	5,471	2,750
Concessions	5,361	4,509	3,371	6,499
International Club	336	117	159	294
Testing Services	101	648	299	450
Magazines	-	7,890	7,890	-
Laura Ingalls Wilder Trip	234	441	335	340
Band Trip	4,414	14,665	9,419	9,660
Middle School Band Fundraiser	5,653	4,052	9,542	163
Title I	797	300	161	936
All Sport Supplies	4,089	13,941	12,750	5,280
Volleyball Project	2,273	4,091	3,394	2,970
After Graduation Party	569	1,885	2,173	281
Cross Country Ski	178	-	-	178
Book Fair	2,225	7,968	7,428	2,765
FHA	3	2,590	2,590	3
Academic Decathlon	100	-	45	55
EL-MS Fundraiser	10,727	1,221	8,807	3,141
Mock Trial - HS	1	-	-	1
Mock Trial - TAGMS	116	604	720	-
Football Project	4,366	14,663	11,019	8,010
Athletic Union Clinic	636	2,201	1,347	1,490
Booster Concessions	2,834	39,835	40,053	2,616
Music Booster	806	13,846	4,771	9,881
Athletic Booster	16,460	20,918	25,724	11,654
HS Pop Machine	2,269	1,493	2,023	1,739
Weight Room Fund	200	-	200	-
EL/MS Teachers Lounge	829	-	106	723
EL/MS Care Committee	1,440	220	313	1,347
HS Care Committee	395	500	476	419
HS Teachers Lounge	32	-	-	32
Lion Grant - CL Foundation	1,311	6,004	5,052	2,263
Totals	\$ 167,705	\$ 420,223	\$ 407,195	\$ 180,733

See accompanying independent auditor's report.

Central Lyon Community School District  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Eight Years

	Modified Accrual Basis			
	2011	2010	2009	2008
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 3,509,119	\$ 3,044,831	\$ 3,007,229	\$ 3,044,518
Tuition	63,638	135,603	66,362	67,869
Other	835,323	754,445	764,725	865,101
Intermediate sources	298,195	283,786	255,284	251,512
State sources	3,215,266	2,663,954	3,091,758	3,144,637
Federal sources	351,946	622,796	257,675	167,745
Total	<u>\$ 8,273,487</u>	<u>\$ 7,505,415</u>	<u>\$ 7,443,033</u>	<u>\$ 7,541,382</u>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	3,426,096	3,279,173	2,904,125	2,781,160
Special instruction	1,091,919	944,806	997,406	835,361
Other instruction	872,839	956,756	910,692	986,904
Support services:				
Student services	46,995	47,107	59,196	116,078
Instructional staff services	245,900	239,413	240,331	216,151
Administration services	601,139	649,455	654,000	633,045
Operation and maintenance of plant services	667,598	562,459	548,928	533,322
Transportation services	260,489	225,469	192,200	285,118
Other expenditures:				
Facilities acquisition	633,795	168,723	202,433	216,280
Long-term debt interest	61,258	74,220	87,295	99,028
AEA flow through	298,195	283,786	255,284	251,512
Total	<u>\$ 8,206,223</u>	<u>\$ 7,431,367</u>	<u>\$ 7,051,890</u>	<u>\$ 6,953,959</u>

See accompanying independent auditor's report.

	2007	2006	2005	2004
\$	3,172,532	\$ 2,820,372	\$ 2,882,019	\$ 2,774,434
	75,068	61,414	45,744	35,692
	871,648	728,559	733,323	682,341
	239,138	221,103	213,226	212,511
	2,963,719	2,736,897	2,609,205	2,642,798
	175,968	252,788	218,516	849,341
<u>\$</u>	<u>7,498,073</u>	<u>\$ 6,821,133</u>	<u>\$ 6,702,033</u>	<u>\$ 7,197,117</u>

	2,449,678	2,320,020	2,285,783	2,295,985
	749,445	781,642	796,275	794,841
	985,118	889,989	881,045	754,650
	112,575	121,286	114,945	132,178
	181,289	186,607	199,852	187,167
	641,516	669,738	571,298	530,368
	514,587	532,040	534,986	447,461
	242,262	176,692	162,149	143,022
	37,062	91,995	-	1,848,288
	106,853	194,979	294,571	363,553
	239,138	221,103	213,226	212,511
<u>\$</u>	<u>6,259,523</u>	<u>\$ 6,186,091</u>	<u>\$ 6,055,325</u>	<u>\$ 7,715,548</u>

# EAST, VANDER WOUDE, GRANT & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Education of  
Central Lyon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Central Lyon Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 5, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Central Lyon Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of Central Lyon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central Lyon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiencies in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weaknesses is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central Lyon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit is based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Central Lyon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Central Lyon Community School District's responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Central Lyon Community School District and other parties to whom Central Lyon Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Central Lyon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*East, Vander Woude, Grant & Co., P.C.*

East, Vander Woude, Grant & Co., P.C.  
Certified Public Accountants  
Sioux Falls, South Dakota  
January 5, 2012

Central Lyon Community School District  
Schedule of Findings  
Year Ending June 30, 2011

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

I-11-A The School District's internal control structure should be designed to provide for the preparation of the financial statements being audited. The School District requested the external auditors to prepare the financial statements and related note disclosures as part of our regular audit services.

Recommendation – it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. During 2006, a new auditing standard from the American Institute of Certified Public Accountants, SAS 112, became effective. This statement requires auditors to communicate this situation to the state as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and notes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this new auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – We are aware of the risk associated with not preparing our financial statements, but believe our review of the financial statements to be adequate to reduce this risk.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

Central Lyon Community School District  
Schedule of Findings  
Year Ending June 30, 2011

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-11-A Certified Budget – No disbursements for the year ended June 30, 2011, exceeded the amount budgeted in any function area.
- II-11-B Questionable Expenditures - No expenditures were noted that might not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-11-C Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-11-D Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ken Kuehl, Employee,	Electrical work	\$ 6,115
Jim Kennedy, Spouse of District Employee, Frontier Insurance & Real Estate	Insurance	\$ 78,657
David Fields, Employee, Rapid Grow Lawn	Maintenance of Grounds	\$ 19,995
Harlan Clasen, Spouse of District Employee, Clasen Excavating	Snow Removal	\$ 9,639
Steve Sieperda, Board President, Frontier Bank employee	Banking relationship investments & checking accounts	\$2,017,092
Chad Geerdes, Brother of District Employee, US Bank employee	Banking relationship investments	\$ 45,115
Mark McCarty, Employee McCarty Repair	Vehicle Repair Service	\$ 386

In accordance with an Attorney General’s opinion dated November 9, 1996, the transactions with Ken Kuehl, Jim Kennedy, Dave Fields, Harlan Clasen, Mark McCarty, Chad Geerdes, and Steve Sieperda were subjected to competitive bidding processes.

- II-11-E Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. Coverage amounts should be reviewed annually to insure adequacy for current operations.
- II-11-F Board Minutes - No transactions requiring Board approval, which had not been approved by the Board, were noted.

Central Lyon Community School District  
 Schedule of Findings  
 Year Ending June 30, 2011

- II-11-G      Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
  
- II-11-H      Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
  
- II-11-I      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
  
- II-11-J      Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
  
- II-11-K      Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
  
- II-11-L      Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa department of Education. For the year ended June 30, 2011, the District’s financial activity and other required information for the statewide sales and services tax are as follows:

Statewide sales and services transactions and ending balances	
Beginning balance	\$ 470,366
Statewide sales and services tax revenue	485,787
Expenditures/transfers out:	
School infrastructure:	
Other improvements	(596,265)
Debt service for school infrastructure:	
General obligation debt	- <u>(596,265)</u>
Ending balance	<u>\$ 359,888</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423F.5 of the Code of Iowa.

- II-11-M      Deficit Balances – There were no funds with a deficit balance at June 30, 2011.